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091613Z Nov 05

ACTION AF-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
DODE-00	DOTE-00	DS-00	EB-00	EUR-00	EXIM-01	E-00	
FAAE-00	VCI-00	FRB-00	H-00	TEDE-00	INR-00	ITC-01	
M-00	AC-00	VCIE-00	NEA-00	NRC-00	NSAE-00	NSCE-00	
OES-00	OMB-00	NIMA-00	GIWI-00	ACE-00	FMPC-00	SP-00	
IRM-00	SSO-00	SS-00	STR-00	BBG-00	R-00	EPAE-00	
IIP-00	SCRS-00	DSCC-00	PRM-00	DRL-00	G-00	NFAT-00	
SAS-00	SWCI-00	/003W					

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FM AMEMBASSY NDJAMENA  
TO SECSTATE WASHDC 2607  
INFO AMEMBASSY ABUJA  
AMEMBASSY DAKAR  
AMEMBASSY LIBREVILLE  
AMEMBASSY LONDON  
AMEMBASSY NIAMEY  
AMEMBASSY PARIS  
AMEMBASSY YAOUNDE  
DEPT OF TREASURY WASHDC  
USDOC WASHDC  
DOE WASHDC

C O N F I D E N T I A L NDJAMENA 001656

SIPDIS

LONDON AND PARIS FOR AFRICA WATCHERS, TREASURY FOR OTA,  
ENERGY FOR GPSON AND CGAY

E.O. 12958: DECL: 11/09/2015

TAGS: [CD](#) [ECON](#) [EFIN](#) [ENRG](#) [EPET](#) [PGOV](#)

SUBJECT: CHAD: GOVERNMENT MOVING AHEAD WITH OIL REVENUE  
MANAGEMENT LAW REVISIONS

REF: A. NDJAMENA 1592

[1](#)B. NDJAMENA 1357

Classified By: Political/Economic Officer Kathleen FitzGibbon for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The Government is moving ahead with its plans to amend the revenue management law despite concern among various donors, diplomatic missions, civil society groups, and opposition parties. On November 9, the Council of Ministers sent the revisions to the law to the National Assembly. However, the draft was immediately retracted reportedly so that the President could make his own changes. The World Bank continues to consult with key donors and diplomatic missions to maintain a united front to discourage the Government from carrying out the revisions. A joint letter from the World Bank and International Monetary Fund (IMF) is reportedly forthcoming. It proposes technical assistance and funding to overcome Chad's short-term cash needs. Other donors and diplomats express concerns that given the Army desertions, the Government's cash-flow problems are likely to be a permanent, not temporary, state of affairs. Civil society groups and opposition parties argue the Government's cash-crunch should be resolved with transparency and financial discipline, not a change in the law. End Summary.

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NEXT STEPS  
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[1](#)2. (SBU) The proposed revisions to the oil revenue management law were approved by the Council of Ministers on November 8. The proposal was delivered to the National Assembly on November 9, but promptly retracted, according to National Assembly staff. The President reportedly wanted to review the document. After the changes are sent back to the National Assembly, legislative leaders will meet to determine when to put the law on the calendar. The ruling Movement for Patriotic Salvation (MPS) and its allies have an overwhelming majority in the National Assembly. (Note: In May 2004, the Government used a combination of threats and financial inducements for legislators to secure the passage of the amendments that allow unlimited presidential terms. The amendments passed 123-0-1. The opposition walked out of the session after the National Assembly President stifled debate. End Note.)

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WORLD BANK INITIATIVE  
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[1](#)3. (C) The World Bank's position is that it is premature to

revise the law and has hosted meetings with key donors and diplomatic missions to forge a united front. (Ref A) Marie Francoise Marie-Nelly, the World Bank's petroleum sector advisor, outlined for key donors the Bank's proposal for staving off a precipitous change in the law on October 25. They included: technical assistance to monitor budget execution, a structural review of the Government's cash-flow problems, and the mobilization of funds to resolve Chad's short-term cash-crunch. The European Commission, African Development Bank, French Embassy representatives, and P/E officer shared concerns that the Government's need for cash is no longer a short-term crisis, but a long-term problem because the Government will continue to need funds to buy off enemies to remain in power. Coupled with the costs of an upcoming presidential election campaign, the Government's priorities probably do not include transparency and financial discipline. Francois Barateau, the French Deputy Chief of Mission, was notably negative about the Government's commitment to the oil revenue management process. He stated that he supported the Bank's efforts, but emphasized that the weaker the Government becomes, the greater its need for armaments to remain in power.

14. (C) The World Bank continues its efforts to convince government ministers and key ruling MPS members to support its proposal. Marie-Nelly most recently met with MPS Chairman Mahamat Hisseine and National Assembly Majority

Leader Idriss Ndele prior to their visit to see the President in Abeche about the proposed revisions. She prepared for them a listing of the types and amounts of assistance that may be lost if the Government forges ahead on its own with the proposed changes. Marie-Nelly remains concerned that the Government will opt to go ahead with the revisions even if it jeopardizes future donor funding. A World Bank team met with National Assembly President Nassour on November 9 to explain the implications of the proposed changes.

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CIVIL SOCIETY, POLITICAL PARTIES REJECT REVISION  
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15. (SBU) The Government told civil society groups that law's revision was necessary due to lack of revenues and budgetary assistance from international partners, and the need to revisit the priority sectors to include defense, territorial administration, and justice. Ten major civil society groups produced a joint response to the Government on the proposed revisions. Chad's usually fractious political party leaders also uniformly reject revisions to the law and ignored the Government's invitation to consult on the issue on October 19. Key opposition leaders state that the law should not be revised because the Government finds itself in a cash-crunch after having mismanaged state revenues. They also point to the deficiencies identified by the College de Controle et de Surveillance des Ressources Petroliers (CCSRP-The College) (Ref B). Likewise, civil society groups cite Chad's dubious designation as the world's most corrupt country by Transparency International. They point out that the use of the Future Generations Fund (20 million USD) to pay current salaries would only cover three months of salaries. Civil society groups agree that the Government correctly self-diagnosed its Treasury problems as resulting from disorganized revenue collection, corruption, and debt accumulation. However, they believe that the solution to Chad's budget problems are political will and financial discipline. They argue that the Government was able to pay salaries prior to the arrival of oil revenues.

16. (SBU) As an alternative to revising the law, civil society and political parties recommend that a general audit of government revenues, foreign assistance and other donor funding be carried out and a plan to stabilize the Government's financial situation be developed. In addition, they recommend that corrupt officials be held accountable for misuse of funds. Another recommendation is that the Government follow up on the College's project verification report and any initiatives to sanction corrupt official by the Ministry of Moralization and State Control. In addition, the Government should improve its budgetary process by integrating its revenues and expenses in one database.

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COMMENT  
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17. (C) We have raised the issue with key government players, including the Prime Minister, Ministers of Petroleum and Finance, and legislators Hisseine and Dr. Idriss. We have a request in to see the President and will meet with the Prime Minister and the National Assembly President on November 10. We are concerned that the President, in the aftermath of the recent army desertions, might not consider the loss of donor support as important as finding the means to remain in power. Despite public opposition, we have no doubt that the Government will use its overwhelming

legislative majority to pass the revisions once introduced.  
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